Pt XIV

1950. File No. 2004/36

P.W.

A CLASS DEPARTMENT

K BRANCH

Subject:— Jog. Electric Supply. Scheme and Chola Power House

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A[K] 1951

Pt XIV

File No. 2004/36-K

Std. Scott. Slip. 21 A

Std. Sectt. 78 e.

G.R., G. D., No. 2408, dated 22-6-22.]

Correspondence

DOCKET SHEET Pt. XLV

Subject :—

File No. 2004/36

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BRANCH.

References :— Separated from the main file A[B].

Date.	To whom sent.	Notes and instructions.

Secretariat,
Bombay 1,
19th November 1950.

Shri Hari Krishna Mukherji-ji

Subject:-Jog-Karnatak Electric Grid Scheme -
Order for Sub-Station Equipment.

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The Jog-Karnatak Electric Grid Scheme is the first scheme that is being undertaken by the Bombay Government to meet the power demands of important industrial towns of Karnatak. It has been arranged to buy 11,500 kw bulk power from Mysore Government for this purpose. The public of Karnatak are very anxious that the Scheme should be completed within a minimum period, and there will be serious discontent if the Scheme is delayed for any reason. The Government of Bombay has accordingly given a very high priority to this Scheme.

It was decided to purchase the required Transformers, Switchgear and other equipment through the Director General of Industries & Supplies. Copies of the tenders received by the Director General of Industries & Supplies were forwarded to the Bombay Electric Grid Department for scrutiny and consideration. After a careful examination of the tenders and keeping in view the urgency with which the Scheme has to be completed, the International General Electric Company's tender, giving the most favourable delivery periods was selected. The delivery period offered are twelve months by the International General Electric Co. and thirty months by the British firms. Besides earlier overall delivery by about eighteen monthas as compared to British tenderers, the price quoted by International General Electric Co. was firm, while the British firms' prices were subject to adjustment due to variation in cost of materials and labour, and it was felt that with these adjustments, the final price paid for British equipment might be almost the same as for the International General Electric Co., or even higher. The delivery periods of British offers would not fit in with the progfamme of early completion of the Scheme. Accordingly, the Bombay Government favoured placing an order with the International General Electric Co. and this decision was communicated to the Director General of Industries & Supplies. The Director General of Industries & Supplies placed the order with this

firm ....

firm vide his letter No.SE-2/263-A/III dated 9-10-50 (copy enclosed), subject to the satisfactory settlement of terms and conditions and the grant of necessary dollar exchange by the External Finance.The necessary foreign exchange has been authorised by the Government of India in the Ministry of Works,Mines & Power vide their letter No.DW II-10(80) dated 16-10-50, copy attached. However,the terms and conditions of the International General Electric Co.so far as they cover the questions of penalty and insurance were later not found acceptable to Director General of Industries and Supplies with the result that that Department now proposes that the order be placed with British firms (vide his letter No.SE-2/263-A/III dated 8-11-50,copy enclosed). It may be noted that the British firms have so far declined to guarantee delivery against penalty;nor is their price fixed as in the case of the American Company.

In view of the long delivery periods of British firms, viz. thirty months ex Works after the receipt of import licence or about three years for delivery at site,the Scheme cannot be completed in time and this will result in a large scale discontent against the Government amongst the public of Karnatak. As a matter of fact the Karnatak Provincial Congress Committee has been actively antagonised to the Bombay Government for lack of motive power in that area and is threatening further trouble.

The terms of payment and other terms of the International General Electric Company compare favourably with those offered by the British firms,and in some cases, are better. Under the circumstances,the Bombay Government strongly feels that the order should be placed with the International General Electric Co.on the terms and conditions agreed to by them.

In any case, the British deliveries of thirty months against about twelve months of the International General Electric Co.will not be suitable for this Scheme even under a guarantee of delivery under penalty,which they (British) have so far declined to give.

I understand that the Directorate-General, Industry & Supply has rejected the offer of the International General Electric Co.

The...

The question is however so urgent and fraught with political difficulties with Karnatak; and as the Bombay Government is convinced that the offer of the International General Electric Co. is the best looking to all points concerned, I would request you to let me know the date and hour between 1st and 3rd December when I can see you personally in Delhi in connection with this matter.

Yours sincerely,

Hon'ble Shri Hare Krishna Mahtab,
Minister for Industries & Supplies,
Government of India,
New Delhi.

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Telegrams:
"DEVSUP"

No.SE-2/263-A/III
Government of India
Directorate General of Industries & Supplie
(Engineering Stores Directorate)
Shahjahan Road,
New Delhi, dated the 7th/9th Oct.1950.

To

Messrs. International General Electric Co.(India) Ltd.,
P.O.Box No.992,
Bombay.

Subject: Jog-Karnatak Electric Grid Scheme. This office Invitation to Tender No.SE-2/263-A/III dated 3.2.1950.

REF.: Your No.E 1125/HRM/50303 dated 25.1.50 and subsequent letters No.E.1125/HRM-50365 dated 1.3.1950.
E.1125/NS-64006 dated 21.7.1950.
E.1125/TRC-47931 dated 16.8.1950, and
E.1125/TRC-48203 dated 26.9.1950.

Dear Sirs,

With reference to your above tender and subsequent correspndence, I am to say that, subject to the satisfactory settlement of the various points of details which are still under discussion with you and grant of necessary dollar exchange by the External Finance, it is agreed to place an order with you for the following equipment, exclusive of erection

Complete Sub Stations Equipment, as specified in your Specification No.SBO-28542 and amended vide your Specifications Nos.SB9-28542A; P.51-61716 to 7 inclusive; S.11/1194; SBO-28542-1 and SBE-28373 .

The terms as finally settled will be incorporated in the formal Acceptance of Tender.

PRICE

The provisional price of the Equipment is Rs.42,50,193/- delivered at site. The final price arrived at will be incorporated in the formal Acceptance of Tender. The final price will then be firm till the completion of the supplises.

DELIVERY

The delivery is guaranteed and is under panalty and the shipments will be made within 5 to 10 months ex works from the date of receipt of import licence. The Pennlty Clause will be mutually agreed upon.

The intention of this letter is to enable you to take such preliminary action as you may wish to take in anticipation of the issue of formal Acceptance of Tender which can be done after details have been fully settled.

Yours faithfully,

Sd/- xx
Deputy Director of Supplies (Engineering)
for and on behalf of the Presi-dent of the
Union of India.

Copy to:

Shri V.R.Vaidya,
Superintending Engineer, Bombay Electric Grid Officers, Mercantile Bank Building, Mahatma Gandhi Road, Bombay.

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GOVERNMENT OF INDIA
Ministry of
Works, Mines & Power

No.DWII-10(80) dated, New Delhi, the 16th October 1950.

From

Shri Sardari Lall Vij,
Under Secretary to the Government of India.

To

The Secretary to the Government of Bombay,
Public Works Department, Bombay Castle,
Bombay No1.

Subject: Dollar requirements for the purchase of sub-station equipment for the Jog Karnatak Electric Grid Scheme.

Sir,

With reference to your letter No.2004/36-E1(I), dated the 22nd September 1950, on the above subject, I am directed to say that the President has agreed to the release of foreign exchange to the extent of $ 8,20,000/-, equivalent to about Rs.39.2 lakhs for purchase of sub-station equipment consisting of switchgear, transformers and Synchronous condensers with necessary auxiliaries etc. for the Jog-Karnatak Electric Grid Scheme of the Government of Bombay. The Directorate General, Industries and Supplies is taking the further necessary action in this behalf.

Yours faithfully,

Sd/- Sardari Lall Vij
Under Secretary to the Government of India.

D.A.-Nil.

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Copy forwarded to -
the Finance Department,
the Electrical Commissioner with the Government of Bombay,
for information with reference to Government Endorsement No.2004/36/E1(I), dated the 22nd September 1950.

By order of the Governor of Bombay,
Sd/- xx
Assistant Secretary to the Government of Bombay, Public Works Department.

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GOVERNMENT OF INDIA
MINISTRY OF INDUSTRY AND SUPPLY,
DIRECTORATE GENERAL OF INDUSTRIES AND SUPPLIES

No.SE2/263A/III
Dated New Delhi, the 8th November1950.

From

The DIRECTOR GENERAL,
Industries & Supplies,

To

The Electrical Commissioner
with the Government of Bombay,
Electric Grid Offices,
Mercantile Bank Building,
Fort, Bombay 1i

Dear Sir,

Subject: Jog Karnatak Sub-station Scheme.

Even after prolonged discussions for about 5 days with Messrs. International General Electric Company (India) Ltd., with regard to the terms and conditions of the contract proposed to be placed with them, we have not been able to arrive at a satisfactory settlement. The terms and conditions as outlined in firm's last letter No.E-1125/HRC, dated the 28th October, 1950, cannot be accepted by this Department as these terms and conditions will effectively nullify the operation of the penalty clause insisted upon by us as a guarantee of timely delivery.

Under these circumstances, it is proposed to place the order either on English Electric Company or on a combination of English Electric Company and Associated Electrical Industries offers in view of your definite preference for out-door type of 11 K.V. Switch Gear. Please confirm that we may proceed accordingly. In this connection, your attention is also invited to International General Electric Co., (India) Ltd.'s letter No.E1125/HRC, dated 7-11-1950, addressed to the Secretary, Ministry of Industry and Supply, New Delhi, copy endorsed to you,.

Yours faithfully,
Sd.J.S.Mathur,
for Director General, Industries & Supplies.

Secretariat,
Bombay 1.
19th November 1950.

Mv Dear Venkatraman,

Herewith I am enclosing a copy each of the letters, I have addressed to Hon'ble Shri Hare Krishna Mehetab in regard to the structurals required for the Chola power station and for the Jog-Karnatak Electric Grid Scheme respectively. The letters explain our position and difficulties and therefore I need not burden this letter with further details. I would be glad if you will please have the matter looked into from the points of view mentioned in the letters.

So far as the ~~Jog~~ Jog-Karnatak Grid Scheme is concerned, the difficulties are only with reference to Insurance and Penalty. We have been always paying Insurance charges, so that such payment would be in accordance with what we have been doing. As regards Penalty Clause, the British Manufacturers agree to no penalty clause at all, and their delivery is 18 months later. Their price is also not fixed. In the circumstance you will please do the needful.

Yours sincerely,

(Jivraj N. Mehta)

Shri S.A.Venkataraman, I.C.S.,
Secretary, Ministry of Industry & Supply.
Government of India,
New Delhi.

The Jog-Karntak Electric Grid Scheme is the first scheme that is being undertaken by the Bombay Government to meet the power demands of important industrial towns of Karnatak. It has been arranged to buy 11,500 K W bulk power from Mysore Government for this purpose. The public of Karnatak are very anxious that the scheme should be completed within a minimum period, and there will be serious discontent if the scheme is delayed for any reason. The Government of Bombay has accordingly given a very high priority to this scheme.

2. Normally, the Bombay Government buys its power plant requirements direct. In this particular case, as a result of a personal letter written by you in the month of July 1948 to our Chief Minister, it was decided against the advice of our officers to purchase the necessary transformers and switchgear, etc. for the scheme through the Director-General of Industries and Supplies. The required data and requisition were sent to New Delhi during the month of January last. After invitation of tenders and after consultation with this Government, the Director General of Industries and Supplies decided to place the order with the International General Electric Company of the U.S.A. because the delivery period offered by them was one year as against 2½ years offered by the British makers. The price quoted by the former was firm as against the variable price of the latter. In addition, the American firm was willing to guarantee delivery against a penalty which the British firms were not. Subsequently, the Director-General of Industries & Supplies informed us on the 8th of November 1950 that the terms and conditions of the contract proposed by the International General Electric Co. cannot be accepted and that the order should be placed with one of the British firms. It is almost a year since the requisition was sent to the Director-General of Industreis & Supplies, and at this late stageit is now proposed by the Director-General of

Industries.....

Industries & Supplies to place the order with one or the other British Companies which have so far continuously let this Government down in the matter of promised delivery. If the proposal of the Director-General of Industries & Supplies is accepted, and assuming that the British firms keep to their delivery, commencement of supply will be delayed by well over a year and half. If our previous experience of British firms is any guide, it may well be delayed by over two years. This will result in a large scale disconfent against the Government amongst the public of Karnatak. As a matter of fact, the Karnatak Provincial Congress Committee has been actively antagonised to the Bombay Government for lack of motive power in that area and is threatening further trouble.

3. The terms of contract offered by the International General Electric Co. compare favourably with those of British firms, and in some cases, are better. Under the circumstances, the Bombay Government strongly feels that the order should be placed with the International General Electric Company without any delay.

4. Power Shortage in Bombay : Due to the acute shortage of electrical power in the Bombay-Poona area, the Bombay Government has decided to extend, at its cost, the existing Chola power station (near Kalyan) of the G.I.P. Railway by installation of three steam turbo alternator sets, each of 18,000 kW capacity. This scheme, which is expected to cost about Rs.3/- crores, has been given the highest priority by the Government of Bombay and it has to be completed within a period of two years. The orders for the electrical plant (cost about Rs.85 lakhs C.I.F.) have already been placed with a German firm of repute and those for steam raising plant (cost about Rs.67.4 lakhs C.I.F.) have also now been placed with a Japanese firm of repute. Both the firms have agreed under a penalty

clause to deliver, erect and put into service the first power plant of 18,000 kW. in two years, commencing September last.

5. To enable the suppliers of power plant to fulfil their obligations of commissioning the plant on order by September/ /October 1952, it is essential that the power house buildings be ready in time. For this purpose, steel structurals of the value of about Rs. 10/- lakhs are required, and 500 tons of steel must be delivered to the fabricators in Bombay in April 1951 and another 500 tons of steel in June 1951. Our enquiry in England showed that fabricated steel can be secured in that country in time although in the present world conditions position has changed to some extent. We contacted the Director-General of Industries & Supplies and requested him that either the Government of India should give us a guarantee that the requisite quantum of steel would be made available to us in April and June next year, or we should be allowed to buy the same abroad. The Bombay Government will be grateful if a guarantee, ~~xxx highest~~ is given by the Government of India that steel will be made available to us in Bombay as indicated above. Failing a definite guarantee, the highest possible priority for the supply of steel to us as above will be greatly appreciated. At present, owing to the shortage of power in Bombay we have been compelled to introduce staggering of holidays and working hours in our industries. The labour is very restive about this and have insisted from time to time on the removal of staggering. We have made a promise that the new power plant will be put into commission as soon as possible. The Bombay Government has done its part in placing the order under very favourable conditions for the power plant to be put into commission in two years. This however, will not be fulfilled unless steel becomes available as indicated above. Our experience in connection with the supply of Indian steel for similar purpose on previous occasions has been most unsatisfactory. It is for this reasons that we

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are pressing that the present one should be considered as a very special case and a guarantee or the highest possible priority for the supply of Indian steel to us in Bombay be given by the Government of India.

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Electric Grid Offices.

As desired, I place,below a draft letter proposed to be written to Honourable the Prime Minister of India. I fear the letter is rather long, but I find it difficult to make it shorter without sacrificing the necessary information.

Id/-
30/11/50.

H.M.P.W.D.,
Bombay.

Id/-
30/11/50..

U.o.r.No.ELG 463/28691
Bombay : 30-11-50.

a/30.11.50